

**STATE OF WASHINGTON
OFFICE OF THE INSURANCE
COMMISSIONER**



FINANCIAL EXAMINATION

of

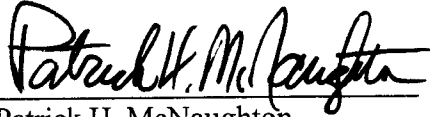
**The Seattle Foundation
Seattle, Washington**

AS OF DECEMBER 31, 2003

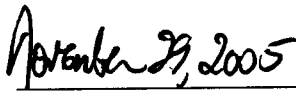
**Exhibit A
Order No. G05-79**

CHIEF EXAMINER'S AFFIDAVIT

I hereby certify I have read the attached Report of the Financial Examination of The Seattle Foundation of Seattle, Washington. This report shows the financial condition and related corporate as of December 31, 2003.



Patrick H. McNaughton
Chief Examiner



Date

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SALUTATION

Seattle, Washington
November 28, 2005

The Honorable Mike Kreidler, Commissioner
Washington State Office of the Insurance Commissioner (OIC)
Insurance Building – Capitol Campus
301 – 14th Avenue SW
Olympia, WA 98504

Dear Commissioner Kreidler:

In accordance with your instructions and in compliance with the statutory requirements of Chapter 48.38 RCW, Charitable Gift Annuity (CGA) Business, an examination was made of the corporate affairs and financial records of

The Seattle Foundation

of

Seattle, Washington

hereinafter referred to as “TSF” at the location of its office, 1200 Fifth Avenue, Suite 1300, Seattle, WA 98101.

This report of examination is respectfully submitted showing the condition of TSF as of December 31, 2003.

SCOPE OF THE EXAMINATION

This examination covers the period January 1, 1999 through December 31, 2003. The financial statements are presented on a consolidated basis, however, the scope of our examination focused only on the transactions and operations of the CGA business. TSF records, along with various aspects of its operating procedures and financial reports, were reviewed and tested during the course of this examination as necessary to substantiate CGA reporting. The results of the examination are commented upon in the following sections of this report. In addition, TSF's certified public accountant's (CPA's) reports were reviewed and utilized, where possible, to facilitate efficiency in the examination.

The examination was conducted in accordance with statutory requirements contained in the Revised Code of Washington (RCW) and the guidelines recommended by the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook. The examination was conducted at the Seattle office of TSF by examiners from the state of Washington.

INSTRUCTIONS

The examiners reviewed TSF's Annual Reports as part of the statutory examination. This review was performed to determine if TSF completed the Annual Reports in accordance with the Annual Report Instructions published by the OIC and to verify that the TSF's accounts and records were prepared and maintained in accordance with Chapter 48.38 RCW.

There were no instructions made in this examination report.

COMMENTS AND RECOMMENDATIONS

There were no comments or recommendations made in this examination report.

COMPANY PROFILE

History: TSF is a nonprofit organization established in 1946 and incorporated under the laws of the state of Washington. TSF is authorized to accept gifts, bequests, contributions and grants of property to carry out its organizational purpose. It supports charitable and nonprofit organizations in all fields, including health care, education, the arts and humanities, the environment and social services.

Territory and Plan of Operation: TSF was granted a Certificate of Exemption Number 44 to conduct a Charitable Gift Annuity business in the state of Washington by the OIC on February 10, 1993. There were 93 in-force annuity contracts as of December 31, 2003.

Total Net Assets: TSF's total of net assets as of December 31, 2003, per examination, was \$316,337,985. This amount included an unrestricted net asset of \$292,248,108. The minimum unrestricted net asset requirement was satisfied as of December 31, 2003 pursuant to RCW 48.38.010(6).

Growth of Company: The growth of TSF for the past five years is reflected in the following exhibits. Information was compiled from TSF's financial statements as of years ending December 31. Please note that the information for years 2000 and 1999 was provided based on TSF's fiscal year-end, June 30. TSF changed its fiscal year end from June 30, to calendar year end December 31, effective for the period beginning January 1, 2001. Also, according to the Notes to Combined Financial Statements of TSF as of December 31, 2001 and 2002, net assets were restated. The restatement of net assets included recognition of previously unrecorded certain real property, reclassification from unrestricted net assets to funds held for others or to permanently restricted net assets, and recognition of compensated absence liability.

Schedule 1 – Statement of Financial Position

(Dollars in Thousands)

Total Net Assets Allocated Into:

<u>Year</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Total Net Assets</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
2003	\$351,272	\$34,458	\$316,814	\$292,724	\$13,834	\$10,256
2002	282,558	30,293	252,265	231,530	11,614	9,121
2001	307,924	31,094	276,830	254,022	12,320	10,488
2000	306,621	32,410	274,211	250,702	12,768	10,741
1999	223,709	16,919	206,790	199,430	7,360	0

Schedule 2 – Statement of Activities and Changes in Net Assets

(Dollars in Thousands)

	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Revenues and support	\$100,663	\$22,800	\$51,291	\$54,036	\$62,778
Expenses	36,114	47,365	48,572	55,473	27,337
Increase (decrease) in NA	64,549	(24,565)	2,719	(1,437)	35,441
Net assets at beginning of year	252,265	276,830	274,111	275,548	171,349
Net assets at end of year	\$316,814	\$252,265	\$276,830	\$274,111	\$206,790
Number of gift annuity contracts at end of year	93	87	77	77	68

AFFILIATED COMPANIES

TSF does not have any affiliates.

MANAGEMENT AND CONTROL

Ownership: TSF is a Washington nonprofit organization and is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code.

Board of Trustees: The management and administration of the affairs of TSF are vested in a Board of Trustees comprised of twenty-two (22) members (2003 – 2004):

Tom Alberg
Janice Condit
Rick Fox
Jose Gaitan
Thomas C. Gores
Gerald Grinstein
Betty Hedreen
Robert Herbold
Peter Horvitz
Katherine Ann Janeway
Carolyn Kelly

Don Nielsen
Deanna Oppenheimer
Constance Rice, Ph.D.
Judy Runstad
Orin Smith
Patty Stonesifer
Fr. William J. Sullivan, S.J.
Dr. Al Thompson
John Warner
Bob Watt
Margaret Walker

Officers: The officers of TSF, elected by the Board of Trustees, include a chairman, first vice-chairman, second vice-chairman, secretary and treasurer.

Conflict of Interest: TSF's Conflict of Interest Policy, adopted by the Board of Trustees in 2003, provides a systematic mechanism for identifying, disclosing and evaluating potential and actual conflicts, and procedures for the Board of Trustees or Executive Committee in considering any transaction or arrangement where a conflict may exist. The policy requires each trustee, officer, or member of any committee that has authority to act on behalf of the Board to complete an annual conflict of interest questionnaire. No exceptions were noted.

CORPORATE RECORDS

The Board of Trustees meets at least four times a year to discuss that business which is pertinent to TSF. Minutes of the meetings of directors approve and support organization transactions and events. No exceptions were noted.

STATEMENT OF ACTUARIAL OPINION

A consulting actuary with Milliman USA determined the adequacy of the annuity reserves. In the Statement of Actuarial Opinion, the actuary acknowledges that he is a member of the American Academy of Actuaries and meets the qualification standards of the American Academy of Actuaries to render the actuarial opinion. His opinion indicates that TSF's annuity contract reserves meet the requirements of RCW 48.38.020 of the Washington Insurance Code applicable to charitable gift annuities.

ANNUITY ASSETS CUSTODIAL FUNCTION

The assets of the separate reserve fund were held and physically segregated from the other assets of TSF. Total annuity investments as of December 31, 2003 were \$6,915,268 and consisted of cash equivalents, bonds, stocks and mutual funds. Investments were recorded at fair value.

SUBSEQUENT EVENTS

There were no material events impacting TSF between the examination date and the last day of our field work.

ACCOUNTING RECORDS AND PROCEDURES

The records and source documentation supported the data and amounts presented in the annual reports and financial statements.

FINANCIAL STATEMENTS

The following examination financial statements show the financial conditions of TSF as of December 31, 2003:

Statement of Financial Position

	Balance Per Annual Report	Adj.	Examination Adjustments	Adjusted Balance
<u>ASSETS</u>				
Cash and cash equivalents	\$2,131,615			\$2,131,615
Investments	322,278,293			322,278,293
CGA investments	6,915,268			6,915,268
Other assets	19,947,031			19,947,031
Total Assets	<u>\$351,272,207</u>		<u>\$0</u>	<u>\$351,272,207</u>
<u>LIABILITIES</u>				
Trusts liabilities	\$9,798,839			\$9,798,839
CGA reserves	4,761,934			4,761,934
Other liabilities	19,897,256			19,897,256
Total Liabilities	<u>34,458,029</u>		<u>0</u>	<u>34,458,029</u>
<u>NET ASSETS</u>				
Unrestricted	292,724,301			292,724,301
Temporarily restricted	13,834,407			13,834,407
Permanently restricted	10,255,470			10,255,470
Total Net Assets	<u>316,814,178</u>		<u>0</u>	<u>316,814,178</u>
Total Liabilities and Net Assets	<u>\$351,272,207</u>		<u>\$0</u>	<u>\$351,272,207</u>

Statement of Financial Activity and Changes in Net Assets

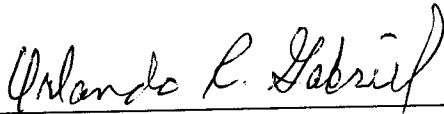
	Balance Per Annual Report	Adj.	Examination Adjustments	Adjusted Balance
Total revenues	\$100,662,864		\$0	\$100,662,864
Total expenses	36,113,450		0	36,113,450
Increase (decrease) in net assets	64,549,414		0	64,549,414
Net assets at beginning of year	252,264,764		0	252,264,764
Net assets at end of year	<u>\$316,814,178</u>		<u>\$0</u>	<u>\$316,814,178</u>

ACKNOWLEDGMENT

Acknowledgment is hereby made of the cooperation extended to the examiners by the officers of TSF during the course of this examination.

In addition to the undersigned, Michael V. Jordan, CPA, CFE, MHP, Assistant Chief Examiner, from the Washington State Office of the Insurance Commissioner, participated in the examination and the preparation of this report.

Respectfully submitted,

A handwritten signature in cursive script, reading "Orlando R. Gabriel", is written over a horizontal line.

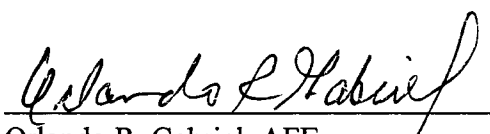
Orlando R. Gabriel, AFE
Examiner-in-Charge
State of Washington

AFFIDAVIT

STATE OF WASHINGTON }
 }
COUNTY OF KING }


Orlando R. Gabriel, being duly sworn, deposes and says that the foregoing report subscribed by him is true to the best of his knowledge and belief.

He attests that the examination of TSF was performed in a manner consistent with the standards and procedures required or prescribed by the Washington State Office of the Insurance Commissioner and the National Association of Insurance Commissioners (NAIC).



Orlando R. Gabriel, AFE
Examiner-in-Charge
State of Washington

Subscribed and sworn to before me on this 29th day of November, 2005.



Notary Public in and for the
State of Washington,
Residing at Seattle

